

CITY OF EL PASO, TEXAS
MAYOR AND CITY COUNCIL

JOHN COOK
MAYOR

ANN MORGAN LILLY
DISTRICT 1

PRESI ORTEGA
DISTRICT 5

SUSIE BYRD
DISTRICT 2

EDDIE HOLGUIN JR.
DISTRICT 6

JOSE ALEXANDRO LOZANO
DISTRICT 3

STEVE ORTEGA
DISTRICT 7

MELINA CASTRO
DISTRICT 4

BETO O'ROURKE
DISTRICT 8

JOYCE A. WILSON
CITY MANAGER

JOHN COOK
MAYOR

JOYCE WILSON
CITY MANAGER



CITY COUNCIL
ANN MORGAN LILLY, DISTRICT 1
SUSANNAH M. BYRD, DISTRICT 2
J. ALEXANDRO LOZANO, DISTRICT 3
MELINA CASTRO, DISTRICT 4
PRESI ORTEGA, JR., DISTRICT 5
EDDIE HOLGUIN JR., DISTRICT 6
STEVE ORTEGA, DISTRICT 7
BETO O'ROURKE, DISTRICT 8

OFFICE OF THE CITY MANAGER

October 28, 2005

Honorable Mayor, Members of City Council and Citizens of El Paso,

The Adopted fiscal year 2006 budget is a balance between the City's strategic objectives and available resources. It reflects the diligent efforts of City staff to produce an operating budget plan that is driven by the goals and objectives of City Council. The budget is streamlined to control costs and improve efficiencies, maximize customer-service, and improve service delivery. It is also flexible and adaptable to our changing environment, while maintaining a focus on our core services.

Planning and preparation for this budget began shortly after the beginning of FY 2005. The City administration was faced with the following challenges:

- An operations and maintenance budget balanced with nearly \$9 million in reserves;
- An undesignated fund balance reserve that had been depleted from \$26,869,557 to \$16,363,518 over the recent past;
- A debt service rate that did not cover the annual debt payment without depleting the debt reserve;
- Approximately \$141 million in quality of life projects; many of which were not adequately scoped or funded and required additional monies to either furnish or finish construction; no advance planning for operations and maintenance of new facilities coming on line;
- A demoralized work force due to lack of attention to market inequities in pay and no cost of living adjustment for the previous three years;
- A growing disparity in terms of compensation and benefits, between the public safety collective bargaining units and general employees.

In response to these issues, corrective measures were taken to control costs through targeted hiring freezes, purchase delays, and an informal reorganization of departments into function-based portfolios. This was accomplished based on an internal assessment of what services were provided, how the department was organized, a review of processes and procedures and other operational audits. Based on these actions and other strategies to reduce the debt service fund deficit, prospects for fiscal year 2006 are much brighter.

The fiscal year 2006 budget process was a collaborative effort citywide. It included a series of strategic planning meetings, the involvement of all department heads, and a comprehensive look at services and programs. Department directors defined core services, identified opportunities for more efficient service delivery, developed alternatives to current service delivery methods, and implemented recommendations to more effectively meet citizen expectations and requirements.

The adopted budget reflects the results of many hours of strategic planning, a comprehensive budget review and management analysis. Early in the budget process, the City Manager laid out the following blueprint of strategic initiatives:

- Sustainability
- Service and Performance
- Efficiencies
- Investment in Employees
- Investment in Technology and Infrastructure

This budget includes All Funds appropriations of \$582,425,368; General Fund appropriations of \$263,652,317, and 6,196.69 full time equivalents. The general fund budget was balanced without the use of undesignated reserves for the first time in many years, and although taxes comprise 61% of general fund revenues, the operations and maintenance portion of the property tax rate has been lowered from \$0.524662/\$100 of assessed value to \$0.508371/\$100.

The reorganization approved with this budget reduced the number of City departments from thirty-five to twenty-six. Building Permits and Inspections and Planning were combined into the new Development Services department; the Purchasing and Comptrollers departments were consolidated into the Financial Services department; the Museum and Arts and Culture departments were combined into the new department of Museums and Cultural Affairs; Solid Waste Management department and the Code Compliance division of Building Permits and Inspections formed the new Environmental Services department; and the City's Building Maintenance, Municipal Services, and Fleet Services departments were consolidated into the new General Services department.

This budget also includes operating costs for new City facilities that will be made available for public use during the fiscal year as part of the 2000 Quality of Life bond projects. Among them will be a newly renovated Main Library downtown, the new Eastside and Lower Valley Library branches, the new History Museum downtown, new Fire Stations, and additional parkland development.

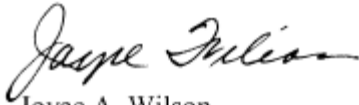
City employees will see changes in their compensation plan this fiscal year with updated merit and schedule pay increases and the first across the board cost of living adjustment since 2002. Other options regarding benefits are currently being reviewed by staff that will be introduced during the fiscal year, among them include an increased tuition reimbursement, additional personal leave hours, adjustments to the maximum amount of accrued vacation hours, and other employee benefits.

During recent years the City has significantly improved its information technology infrastructure, and now that the organization is functioning well from a technology standpoint our focus is shifting to future technology requirements. The City is in the process of completing a three to five year information technology strategic plan that will address our future requirements and set the foundation for the City to provide improved services to the public through e-government and e-commerce.

Over the next few years the City will have completed most of the capital projects from the 2000 and 2004 general obligation bonds. Upon their completion, the City can ensure that its infrastructure and facilities will meet the demands of expected future growth. Recent federal policy decisions related to BRAC are expected to create significant population growth in El Paso, and the City will be the forerunner in planning and development to meet the anticipated impact of this growth.

Under the current policy direction of the City, we are optimistic in our abilities to sustain and build upon our financial strengths, maximize our customer friendly services, and develop our employees to meet the future demands of population growth, matured technology, and our dynamic economy.

Respectfully,

A handwritten signature in cursive script, appearing to read "Joyce A. Wilson".

Joyce A. Wilson,

City Manager

Strategic Budget Plan Summary for the City of El Paso, Texas

The City's Strategic Plan sets the blueprint for the annual operating budget as a means of setting the priorities and goals of the City on a long-term basis and the planning of required budget resources in the short term to accomplish these goals. Through the budget process, components of the City's strategic plan are put into place with budget resources and their expected outcomes. This is a practice commonly referred to as "budgeting for results".

Budgeting for specific outcomes as predetermined in the City's strategic plan provides two benefits to City stakeholders; the primary benefit is that it allows the City to sharpen its focus in assigning budget resources towards programs pre-mandated for results. This in turn provides a platform for City administration and political leadership to review the outcomes of the City budget to determine if such desired results are being accomplished.

In addition, this practice allows for administrative empowerment to department heads in managing budget resources towards accomplishing goals, which in turn reduces the bureaucratic involvement of other departments. Departmental accountability for results is more easily identifiable because programs and services are financed for the purpose of accomplishing an expected and measurable outcome.

A second significant benefit of budgeting for outcomes is an

opportunity to seek efficiencies in various services and programs within the organization that may not have the same pre-determined outcome identified in the City strategic plan. This is of growing importance for the City of El Paso given its broad strategic initiatives and its limited capacity to enhance the City's revenue base. Programs and services of a lower priority in the City's long term plan are those most likely to be reviewed for efficiencies during the budget resource allocation process.

Under an emphasis of "budgeting for results", the development of the City's budget for fiscal year 2006 budget was driven by five strategic initiatives and their expected short term and long term outcomes:

- Sustainability
- Service and Performance
- Efficiencies
- Investment in employees
- Investment in technology and infrastructure

Ensuring the long-term **sustainability** of City finances is a key strategic initiative for City management. Several years of utilizing unreserved fund balance in order to balance the budget had weakened the City's cash position and created a dependency on utilizing fund balance during the budget process.

In fiscal year 2006, the budget was balanced without the use of undesignated reserves, and was the first budget to accomplish this in many years. Sustainability in the City's general fund will be among the most critical issues constraining its long-term financial goals and will have an immediate and direct impact on the City's ability to carry out its strategic initiatives. While most operating costs of the City are anticipated to increase in future

budgets, balancing without the use of reserves or property tax increases will be a difficult task. However, continued effective budget planning in the short and long term will benefit the City's financial sustainability.

The City's intended short term outcomes for fiscal year 2006 regarding sustainability are to continue to build the general fund undesignated reserve balances; improve the solvency of City funds outside of the general fund; and prepare the fiscal year 2007 budget without the use of undesignated fund balance.

The long-term goal of sustainability is to ensure that sufficient fund reserves exist in all City funds over the next five years; to create a fiscal environment that is less dependent on the issuance of debt to procure capital acquisition, technology infrastructure, and to maintain the City's building infrastructure; to build sufficient general fund reserves to maintain a balance to support at minimum forty five days of operating commitments in the event of an unforeseen emergency; and to maintain the City's excellent bond ratings.

Financial sustainability is also a primary concern for City department budgets outside of the general fund. The City is in the process of analyzing the fiscal solvency of its various funds with a particular focus on the health insurance and workers compensation funds. The long-term financial solvency of these funds will have an impact on the City's ability to meet its strategic goals related to City services and on the demands of the general fund.

Specific to the Health plan, this budget includes changes to the non-uniform and retiree health care plans that will allow the City to continue with the objective of providing access to

quality health plans that will protect participants from a catastrophic financial loss. The new benefits and costs proposed are competitive with market conditions within the region and the changes are necessary due to increased healthcare costs.

The reorganization of City departments within this budget addressed concerns relating to **service and performance** by creating a structure that focused resources more specifically among "like" functions and pooled resources among them wherever possible to offset the need for additional budget resources and duplication of activities within different departments.

Improving services and performance is an initiative that resulted from a critical assessment of all City services and of the City's organizational structure. To set the foundation to make this work, the organization required a realigned structure to better accommodate effective service delivery, effective flow of communications, and one focused on accomplishing results.

The expected short term budget results related to service and performance were to realign the organization into a structure that is more focused on core services; to create a more fluid reporting structure within the organization; to target resources to support critical service areas; and to provide operational budget funding for new projects and facilities coming online during fiscal year 2006 as a result of the City's capital improvement plan.

In the long term, a strong emphasis on improving service and performance at the present time will enhance the City's ability to produce a quality product in the long term.

The strategic initiative of **efficiencies in government** is broad and often vague; with respect to the City's fiscal year 2006 budget it was focused on consolidation, prioritizing, and reorganization of resources. This budget was developed through a collaborative effort including all departments during strategic planning sessions focusing on service enhancements, administrative streamlining, and redefining critical core services. It included

a comprehensive review of resources currently in place and their impact on current and future budgets.

Finding efficiencies are part of the City budget process, as efficiencies created in this budget will reduce incremental costs in future budget years. Moreover, as the City enacts its strategic plan and expands services, efficiencies in current services will be on par with new or additional revenues.

Appropriations in the fiscal year 2006 general fund budget are lower than that of the previous fiscal year; the number of City departments was reduced from thirty-four to twenty-eight through consolidation; and there was a reduction in general fund full time equivalent positions from the previous year.

Some of these measures of efficiency were attributed to changes in funding for the Health District and Code Enforcement functions, but they were also a result of the City Manager's mandate for departments to look internally for budget reductions during the budget process. Departments were tasked with submitting a budget request that was 97% of their fiscal year 2005 budgets, less one-time expenses.

In addition to this, as a general practice during the budget process, the budget staff analyzed all department requested service contracts, material procurements, and operating costs with consideration to historical usage and present needs to find potential efficiencies at the program level.

The City's **investment in its employees** will have a significant impact on its employee retention and attraction over the long and short term. Over the past decade,

agreements with the Police and Fire collective bargaining groups have enabled the City of El Paso to progress in terms of competitive pay and benefits. This has resulted in stability, overall good morale and positive management/labor relationships for the public safety employee groups.

During the same time period, non-uniformed employees have not received comparable benefits as the collective bargaining units. The classification and pay plan for general employees is antiquated and out of line with the labor market. Consequently, there are classes of employees for which the City cannot competitively recruit nor retain. In addition, pay policies have suppressed wage growth for incumbent employees to the extent that nearly $\frac{3}{4}$ of the work force is below the midpoint of their respective pay ranges. In addition, General employees had not received a cost of living adjustment since fiscal year 2002, and employees do not receive annual step or competency increases unless they are in the first quartile of the pay range. Under this scenario, an employee could go two to three years without any pay adjustment dependent upon his or her location in the pay range.

The immediate goal of this budget plan is to correct this disparity within the City's work force through the following measures:

- Implementation of an annual step/competency increase – for FY 2006 it would be set at 2% for employees below the midpoint and 1.5% for employees above the midpoint of their pay range;
- A cost of living adjustment effective the first pay period of the new fiscal year;
- Expansion of the eligibility pool for annual merit increases from the top 20% to the top 25% and set the adjustment at 2%.

Other options for improving the benefits and morale of non-uniformed employees are under review and will be introduced during the fiscal year.

The City's **investment in information technology** has been significant in recent years with the implementation of Peoplesoft's

ERP (Enterprise Resource Planning) software, which consists of Financial, Human Resource, and Enterprise Performance Management applications. The City has also invested in upgrading its network cabling, network hardware and workstations to not only maintain but also improve the performance of all its management information systems.

Maintaining effectiveness in the City's information technology needs will require a substantial investment over the next several years as technology changes and the City evolves toward an electronic government concept.

City staff is presently developing a three to five year technology plan to help guide investments and priorities to maximize opportunities through technology resources.

Technology investments are being increased to support growth in systems. Capital Improvement Program recommendations will focus on modernizing existing infrastructure versus new facilities, the need to develop life cycle standards for existing facilities and infrastructure, and the development of a community facilities plan to better strategize future facility investments.

The fiscal year 2006 budget has refocused resources and efforts towards improving services to the community. The underlying objective of this budget is to initiate a process towards developing a high performing and customer-focused organization that is flexible and adaptable, responsive, and focused on core services.

The organization is heavily regulated, which impedes its ability to excel, but through effective strategic planning and budgeting for results the City will effectively progress towards its strategic initiatives.

Sustainability

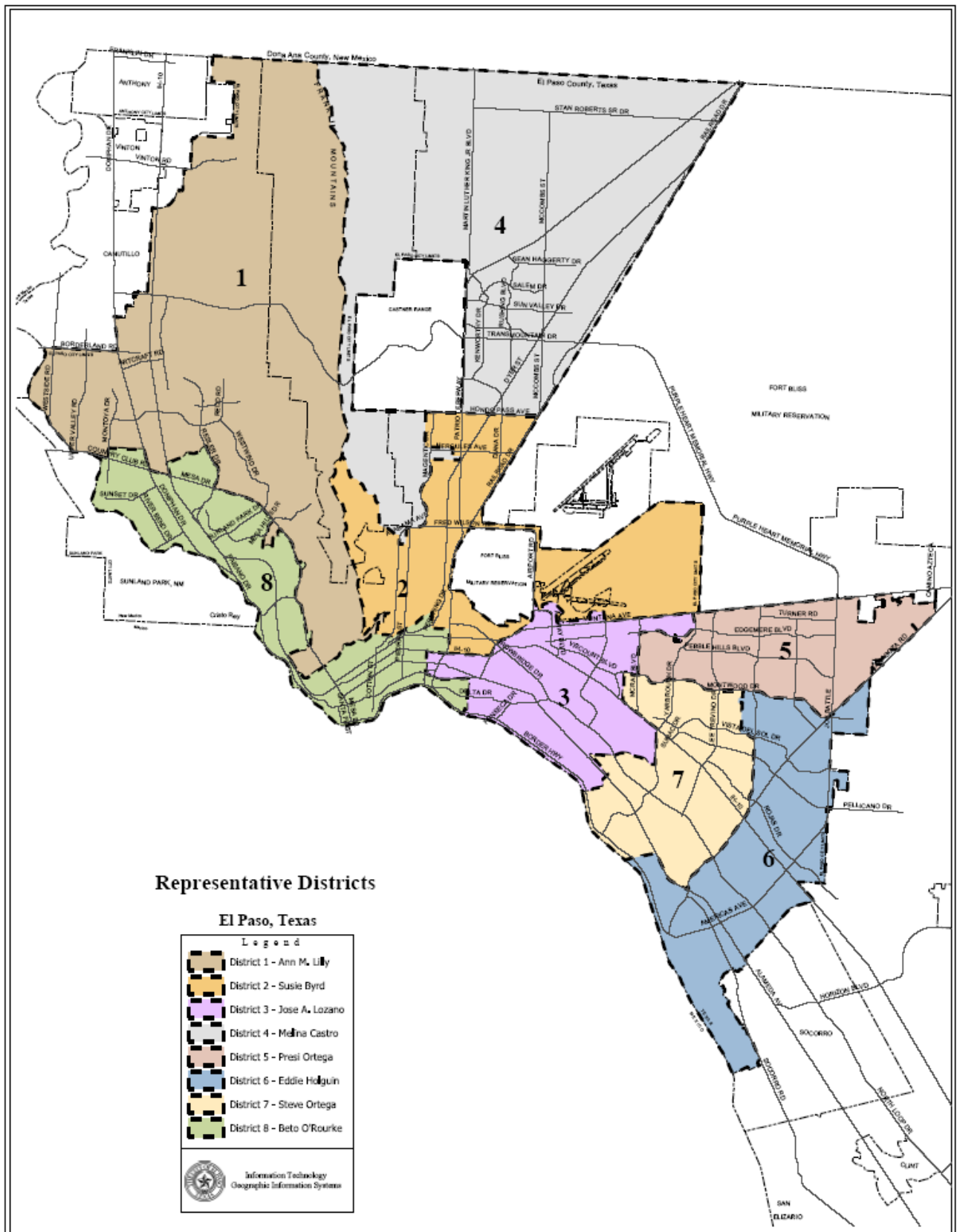
Service and Performance

Efficiency and Cost Effectiveness

Investment in Employees

Investment in Technology and

Infrastructure



OFFICE OF MANAGEMENT AND BUDGET STAFF

DAVID R. ALMONTE
OMB DIRECTOR

IRENE R. HERNANDEZ
SENIOR STRATEGIC BUDGET ADVISOR

RAUL A. ESCOBEDO
STRATEGIC BUDGET
ADVISOR

TONY RAMOS
CONTRACT ANALYST

SUE B. POWELL
BUDGET SPECIALIST

RICHARD BRISTOL
STRATEGIC BUDGET
ADVISOR

K. NICOLE ARNOLD
BUDGET &
MANAGEMENT ANALYST I

PHILLIP M. BOYD
GRADUATE INTERN

MARY ANN GALLEGOS
BUDGET &
MANAGEMENT ANALYST III

ALICIA H. DIAZ
BUDGET SPECIALIST

NIKOLINA GEORGIEVA
GRADUATE INTERN

CECILIA BERTOLLI
BUDGET &
MANAGEMENT ANALYST III

AUDREY S. MUELLER
BUDGET SPECIALIST



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

**City of El Paso
Texas**

For the Fiscal Year Beginning

September 1, 2004

Marion L. Ziegler

President

Jeffrey R. Brown

Executive Director

Helpful Phone Numbers

OFFICE OF THE MAYOR - (915) 541-4015

JOHN COOKMayor of El Paso

OFFICE OF THE CITY MANAGER – (915) 541-4109 – Fax: 541-4866

JOYCE WILSON.....City Manager

CITY COUNCIL - (915) 541-4145 - Fax: 541-4501

ANN MORGAN LILLY, Representative District 1 (915) 541-4151
SUSIE BYRD, Representative District 2 (915) 541-4416
JOSE ALEXANDRO LOZANO, Representative District 3 .. (915) 541-4515
MELINDA CASTRO, Representative District 4..... (915) 541-4140
PRESI ORTEGA, Representative District 5 (915) 541-4701
EDDIE HOLGUIN JR., Representative District 6..... (915) 541-4182
STEVE ORTEGA, Representative District 7..... (915) 541-4108
BETO O'ROURKE, Representative District 8..... (915) 541-4123

FINANCIAL SERVICES - (915) 541-4011 - Fax: (915) 541-4760

WILLIAM F. STUDER, JR.....Deputy City Manager-Financial Services

OFFICE OF MANAGEMENT AND BUDGET - (915) 541-4777 Fax: (915) 541-4760

DAVID R. ALMONTE Director

Irene R. Hernandez.....Senior Strategic Budget Advisor
Richard J. Bristol.....Strategic Budget Advisor
Raul Escobedo.....Strategic Budget Advisor
Mary Ann Gallegos.....Budget Management Analyst III
Cecilia Bertolli.....Budget and Management Analyst III
Tony Ramos.....Contract Analyst
K. Nicole ArnoldBudget Management Analyst I
Alicia H. Diaz Budget Specialist
Audrey S. Mueller Budget Specialist
Sue B. Powell Budget Specialist
Ana Quijano Secretary III

TAX OFFICE - (915) 541-4054 - Fax: (915) 541-4116

JUAN SANDOVAL..... Tax Assessor – Collector

ACKNOWLEDGEMENTS



DEPARTMENT OF ECONOMIC DEVELOPMENT
DEPARTMENT OF PLANNING RESEARCH AND DEVELOPMENT
DEPARTMENT OF TAX
CITY MANAGER'S PUBLIC INFORMATION OFFICE
ERNESTO D. HERNANDEZ, LIBRARY DESKTOP PUBLISHING TECHNICIAN